

Non-GAAP Reporting in Australia

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**A thesis submitted in fulfilment of the requirements for the degree of
Doctor of Philosophy**

December 2016

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Certificate of Original Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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This research is supported by an Australian Government Research Training Program Scholarship.

Acknowledgements

I wish to express my sincerest gratitude to numerous people for their guidance and assistance throughout the journey that has culminated in my PhD. First and foremost, I wish to thank my primary supervisor, Professor Stephen Taylor, for providing me with the utmost support and confidence, challenging me to become a lifelong researcher. I am also extremely grateful to my thesis co-supervisors Dr. Yaowen Shan and Martin Bugeja, for their invaluable input and direction at every step of the way. I am also very grateful to Professor Andrew Ferguson who inspired me to enter the research area, and Senator Francesco Giacobbe and Dr Brian Farrel for not only encouraging me, but also referring me to the UTS Accounting PhD program

To my fellow PhD students Alex Tong, Nelson Ma, Samir Ghannam, Matthew Grosse, Tom Scott, Gabriel Pündrich and Alex Feigin, thank you for contributing to a great work environment. Additional thanks to Associate Professor Jonathan Tyler and Dr. James Wakefield for encouraging me to become a devoted teacher. Their passion for education has been a constant inspiration. To the administrative and technical staff Judy Evans, Annie Hopps, Neil James and Katt Robertson, thanks for providing all necessary support to make the PhD experience as smooth as possible. I am very thankful to the many academic staff in the UTS Accounting Discipline

Group that has been available to provide regular professional and personal advice. I am happy to call them my friends.

My eternal gratitude also goes to my family in Brazil, who have always been supportive, and to the numerous friends who are now my family here. A special mention to my dearest friends, my family here, Andre Fernandes, Ciara McFadden, Fernando Wladdimiro, Paulo Mendes and Wade Sellers who have stuck around when I could not be present at all times.

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Abstract

This thesis provides evidence on non-GAAP reporting by ASX 500 listed companies and the influence of regulatory changes. I provide a detailed review of the extant literature of non-GAAP reporting by firms globally, emphasising the prevalence, causes and consequences. Firms tend to voluntarily disclose these additional performance metrics in order to convey information that cannot be translated by current accounting standards. Firstly, I find that regulatory changes have influenced non-GAAP reporting in Australia. As a consequence of the increase in this behaviour, government bodies and professional associations have issued guidelines on how to disclose non-GAAP metrics alongside GAAP metrics in the earnings press release. Secondly, I investigate the quality of non-GAAP earnings and find that they are overall of higher quality than GAAP earnings, which is broadly consistent with the informative disclosure explanation for non-GAAP reporting. In addition, I find that the introduction of A-IFRS in 2005 has affected some of the assessed earnings metrics quality. Marginal differences also suggest that A-IFRS is associated with an increase in the degree of transitory items in bottom-line earnings, reducing some earnings quality properties. The overall results of this thesis suggest that regulators, standard setters and other financial statement users can benefit from additional research addresses the voluntary disclosure of “adjusted” earnings metrics.